EXTRACT FROM THE MINUTES OF ORDINARY COUNCIL MEETING OF MASILONYANA LOCAL MUNICIPALITY HELD ON THE 30th JUNE 2020 IN KAPS BANYANE HALL - VERKEERDEVLEI AT 14H00.

IN ATTENDANCE	
Cllr KS Koalane	Mayor
Cllr DE Modise	Speaker
Cllr X Nqwiliso	Member of EXCO
Cllr M Visser	Member of EXCO
Cllr TJ Moahi	Councillor
Cllr BB Mokwena	Councillor
Cllr PS Tlahadi	Councillor
Cllr MS Rakhunoane	Councillor
Cllr TJ Chele	Councillor
Cllr BG Rossouw	Councillor
Cllr LP Ratsiu	Councillor
Cllr KE Mokalolise	Councillor
Cllr MT Hogo	Councillor
Cllr TB Molahloe	Councillor
EV Rajuili	Acting: Municipal manager
MM Sello	Director: Social & Community Services
D Ntsepe	Manager: Expenditure
NC Mohapi	Manager: Office of the Municipal manager
Z Mandla	Manager: Office of the Mayor
MF Malatji	Technician: PMU
GM Tjolo	Manager: Human Resources
XJ Mkhombeni	Acting: Manager LED
E Molaoa	Acting: Unit Manager Verkeerdevlei
MS Mahula	Secretariat

NO	ITEMS	BACKGROUND	DISCUSSIONS	RESOLUTIONS
13	**13.1.1 Draft IDP and Budget for 2020/2021 financial year.**	The process followed as a result of the approved Draft IDP Process Plan 2020/2021 which was approved by Council on the 29th September 2019 and in terms of the newly proposed Integrated Planning and Accountability model for the 4th generation of IDP's. NB: The planned schedule was interrupted by the international scourge of *Covid 19* which led to the lockdown however, the Municipal Advert on Community participation and inputs was advertised on the Municipal Website & Notices, Masilonyana News and the District / Regional Community Radio Station.	Total operating revenue stands at 318 million for the 2020/21 financial year while total operating expenditure has been appropriated at R316 million, R331 million in 2021/2022 and R343 in 2022/2023. The municipality has a surplus on the budget. The operating expenditure budget is inclusive of non-cash item as reported above on 1.2.4. MFMA Circular no. 58-79 stated that, in preparation for 2012/2013 budget, municipalities that have chosen the 'revaluation model' when implementing GRAP 17 must exclude the depreciation resulting from the revaluation of PPE when preparing their budgets and calculating any tariff increases. When implementing GRAP 17 in 2008/09 financial year. Services charges forms the largest component of the revenue basket for the municipality which amounts to R115 million The second largest source is property rates at R64 million when we are not considering grant and subsidies.	**That Council adopt the final draft IDP & draft MTREF 2020/2021 as the final document.** **That Council approve all the budget related policies together with the Budget.** **That Council approve the Revenue and enhancement strategy.** **That Council approve the draft organisational structure as the final document of the MLM.**

		Section 53 of the Municipal Finance Management Act 2003 (No. 56 of 2003) requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, *Chapter 2 of the Municipal Budget and Reporting Regulations* states that the Executive Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in *section 53 of the Municipal Finance Management Act; 2003(No. 56 of 2003).*	Operational Transfers and subsidies constitutes R 131 million of the operating budget. The current challenge that will face MLM is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. The budgeted allocation for employee related costs for the 2020/21 financial year amounts to R109 million, which equals 34 percent of the total operating expenditure; Employee related cost overall will increase by 10 percent and this is because of correcting measures of under-budgeting for employee related costs and also taking into consideration new appointments that were made in 2019/20 financial year. Overall the total employee related cost and councillor's remuneration totals to 36 percent of the budget. The provision of debt impairment was determined based on an annual collection rate of 50 percent, and the 50 percent of the debt has been impaired against the bad debtors and the remainder on revenue foregone (Exempt property rates, discounts/incentives and interest write offs). For the 2020/2021 financial year this amount equates to R89 million. While this	

			expenditure is considered to be a non-cash flow item; it informs the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management. Depreciation is widely considered a proxy for the measurement of the rate asset of consumption of assets. Budget appropriations in this regard total R18 million for the 2020/21 financial year and equates to 3 percent of the total operating expenditure. The Bulk purchase constitutes 14 percent of the total operating budget. It is therefore imperative that the municipality prioritise the reduction of the distribution losses to maximum income generation from this expenditure item which has already been prioritized. The municipality has been ensuring that the distribution losses are minimised and calculated on a monthly basis. The Municipality also needs to install bulk zonal meters to assist in ensuring that the municipality has control on the distribution of water especially in the wards where there's non-payments.	

			In line with the Masilonyana repairs and maintenance plan, this group of expenditure has been prioritized to ensure sustainability of the infrastructure. For 2020/21 a provision of R15.5 million has been secured. The municipality has been granted 5% of the MIG projects to be allocated to the repairs and maintenance. This is still under the MFMA circular 74 Guideline which stipulates that the Municipality must budget for at least 8% of the total asset carrying value, which in these case the Municipality does not comply due to financial constraints but will eventually meet the target. The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services, the households are required to register in terms of the MLM Indigent Management Policy. The target is to register 4000 or more indigents households during the 2020/2021 over MTREF financial year, a process reviewed annually, however due to the COVID-19 pandemic no roadshow has been held to assist the process of registration of new clients. The Indigent is an ongoing process where if anyone can lose their jobs as a result of this they may be declared as indigent, we will however be adjusting the budget if we reach that target. Detail	

			relating to free services, cost of free basic services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 23 MBRR A10 (Basic Service Delivery Measurement). The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share of R128 million receivable in terms of the annual Division of Revenue Bill. In the 2020/2021 an amount of R22 million has been appropriated for the trading services which represents 48 percent of the total capital budget followed by the Community and Public safety with an amount of R11.6 million which represent 28 percent. Expenditure in new assets represents 96% of the total capital budget while asset renewal equates to 4%. Further detail relating to asset classes and proposed capital expenditure is contained in Table SA 34(a) and (b) and A9 (Asset Management) of the MBRR.	

			Revenue to be generated from property rates is R64 million for 2020/2021 which constitutes 20% of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R115 million (36%) million for the 2020/2021 budget year. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government and they amount to R131 million.	

Certified to be a true reflection of the original minutes.

Cllr DE Modise
(SPEAKER)